

Message Text

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PAGE 01 REYKJA 00881 061714Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
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R 061640Z JUL 78
FM AMEMBASSY REYKJAVIK
TO SECSTATE WASHDC 8535
INFO AMEMBASSY COPENHAGEN
AMEMBASSY OSLO
AMEMBASSY STOCKHOLM
COMICEDEFOR KEFLAVIK IC
CINCLANT NORFOLK VA
CINCEUR VAIHINGEN GE

LIMITED OFFICIAL USE REYKJAVIK 0881

E.O. 11652: N/A
TAGS: PINT, IC
SUBJECT: INFORMAL TALKS ON GOVERNMENT FORMATION UNDERWAY

REF: (A) REYKJAVIK 0838 DTG 270928Z JUN 78
(B) REYKJAVIK 0844 DTG 281047Z JUN 78

1. TEN DAYS AFTER NATIONAL ELECTIONS AND RESIGNATION OF
GOVERNMENT OF GEIR HALLGRIMSSON, PRESIDENT ELDJARN HAS
STILL NOT CALLED UPON ANY PARTY TO ATTEMPT TO FORM NEW
GOVERNMENT. IT IS REPORTED THAT HE WILL NOT MAKE THAT
DECISION UNTIL SOME TIME NEXT WEEK. IN INTERIM,
HALLGRIMSSON CONTINUES AS PRIMIN IN CARETAKER STATUS.

2. ALTHOUGH NO ONE HAS BEEN GIVEN MANDATE TO ATTEMPT TO
BUILD COALITION BASED ON JUNE 25 ELECTION RESULTS,
PREISENT HAS HAD TWO ROUNDS OF MEETINGS WITH PARTY
CHAIRMEN. AS RESULT OF THOSE MEETINGS, SOCIAL
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DEMOCRATIC PARTY (SDP) AND PEOPLE'S ALLIANCE (PA),
THE TWO PARTIES IN OPPOSITION TO PRESENT GOVERNMENT
AND ONLY PARTIES TO MAKE PARLIAMENTARY GAINS, HAVE
STARTED INFORMAL DISCUSSIONS TO DETERMINE IF THERE IS
BASIS FOR A GOVERNMENT INCLUDING BOTH OF THEM.

3. AS NOTED REF (B), THERE ARE SOME SIGNIFICANT

DIFFERENCES BETWEEN TWO PARTIES, AND ANY NEGOTIATIONS ARE SURE TO BE PROTRACTED. IT IS THOUGH THAT PA HAS ALREADY CALLED FOR INCLUSION OF PROGRESSIVE PARTY (PP) TO FORM LEFT-OF-CENTER GOVERNMENT; SDP WANTS THIRD PARTICIPANT TO BE INDEPENDENCE PARTY (IP) IN ORDER FOR NEW GOVERNMENT TO HAVE BROAD-BASED REPRESENTATION FROM ALL THREE PARTIES WHICH HAVE AFFILIATION WITH LABOR MOVEMENT. PA AND SDP BOTH SEEM UNWILLING TO PARTICIPATE IN MINORITY GOVERNMENT.

4. PP CHAIRMAN OLAFUR JOHANNESSEN HAS ALREADY STATED THAT PARTY WOULD SUPPORT A MINORITY PA-SDP GOVERNMENT BY ABSTAINING IN ALTHING VOTES. FULL PP PARTICIPATION IN GOVERNMENT SEEMS UNLIKELY SINCE MANY PROGRESSIVES SEEM TO PREFER TO RECOVER FROM SEVERE ELECTORAL LOSSES BY STAYING OUT OF OFFICE. AS FOR INDEPENDENTS, PARTY LEADERSHIP HAS SIGNALLED ITS WILLINGNESS TO JOIN SDP AND PA IN NEW GOVERNMENT, BUT MANY AMONG RANK-AND-FILE WOULD RATHER SIT THIS ONE OUT AND CONCENTRATE ON REBUILDING PARTY STRUCTURE. IF IP RECEIVES PROPOSAL FROM SDP AND PA, HOWEVER, IT WOULD BE DIFFICULT TO REFUSE IT.

5. MOST FREQUENT SPECULATION IS THAT SDP-IP-PA GOVERNMENT WILL BE FORMED BUT NOT UNTIL SOME TIME NEXT MONTH AT EARLIEST. NAME OF GYLFI TH. GISLASON, FORMER SDP CHAIRMAN AND ONE-TIME MINISTER OF EDUCATION AND MINISTER LIMITED OFFICIAL USE

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OF COMMERCE, HAS BEEN HEARD AROUND TOWN AS CURRENT FAVORITE TO HEAD NEW GOVERNMENT ALTHOUGH THIS PROSPECT CANNOT MAKE BENEDIKT GRONDAL, PRESENT CHAIRMAN OF SDP, VERY PLEASED.
BLAKE

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